



## MEMORANDUM

**TO:** Audit Committee of the School Board of the City of Virginia Beach

**FROM:** Ms. Karen W. Woodson, CIA, CFE<sup>KW</sup>  
School Board Internal Auditor, Department of Internal Audit

**SUBJECT:** **Change in Principal School Activity Funds Audit  
Great Neck Middle School**

**DATE:** April 4, 2024

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## BACKGROUND

As part of the 2024 Audit Work Plan, the Department of Internal Audit (IA) has performed the Change in Principal School Activity Funds Audit for Great Neck Middle School.

The principal has the responsibility for safeguarding, accounting, and managing the school activity funds. The school activity funds are accounted for using the cash basis of accounting and are recorded by the bookkeeper in School Funds Online, the division's school-level accounting software. Examples of other discretionary income received by schools are payments made by parents, fundraisers, and other miscellaneous sources. Expenditures include school activities such as clubs, fundraisers, etc.; payroll expenditures are not allowed to be paid from these funds. School activity account regulations provide administrative control over the income and disbursement of monies for school activities and provide an accurate record of all financial transactions of these activities and organizations.

## AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS

Inquiry and examination of documents and data, interviews and site visits, were the methods of reviewing internal controls. IA judgmentally selected transactions to ensure that a variety of vendors and deposits were analyzed throughout the audit period, as a result this sample cannot be extrapolated across the entire population. The audit period was July 1, 2023 through February 29, 2024. The audit objectives, methodology, results, and conclusions are as follows:

1. Objective: Determine if cash balances were fairly stated for the audit period.  
Methodology:
  - IA traced the prior year ending balance to this year's beginning balance;

## AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- IA reviewed the bank reconciliation, year-end investment statement, as applicable, and the original bank statements during the audit period for unusual transactions;
- IA reviewed all transfers reducing cash, and other material transfers for allowability;
- IA reviewed a sample of cash disbursements to determine if the amounts paid matched the invoice/receipt and were coded to the correct account;
- IA reviewed a sample of cash receipts to determine if the amount collected was deposited and coded correctly;
- IA reviewed unpaid invoices;
- IA counted change funds;
- IA inspected the contents of the school's safe(s); and
- IA reviewed the general ledger to determine if there were any unusual transactions or accounts with inconsistent activity.

Results:

- IA determined from analysis and transactional testwork that the school balances appeared reasonable.

Conclusion: IA concluded that the cash balances at the school level are fairly stated.

2. Objective: To assess compliance with applicable policies and procedures.

Methodology:

- IA reviewed a sample of cash receipts to determine if the amounts were deposited timely;
- IA reviewed a sample of cash disbursements to determine if invoices were paid timely and if the check contained signatures for two authorized signatures;
- IA reviewed a sample of procurement card transactions to determine if the amounts paid were reasonable, were approved by the principal, and contained an itemized receipt or invoice to support the purchase;
- IA reviewed applicable disbursements over \$10,000 to determine if they were paid from a contract and/or were approved by the Office of Procurement Services; and
- IA evaluated certain policies and procedures related to transfers, banking, and account usage.

Results:

- All cash receipts reviewed were deposited timely;
- All invoices reviewed were paid timely, and the checks contained two authorized signers;
- All of the procurement card transactions reviewed were reasonable, were approved by the principal, and contained an itemized receipt or invoice to support the purchase;
- All disbursements above \$10,000 reviewed were paid from a contract and/or were approved by the Office of Procurement Services; and

## AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- IA noted from items reviewed one exception related to certain policies and procedures with transfers, banking and account usage. One disbursement was made without adequate supporting documentation.

Conclusion: IA concluded that the school is compliant with the applicable policies and procedures with the exception of one disbursement made without adequate documentation.

3. Objective: To determine if internal controls are adequate and functioning as intended.

Methodology:

- IA conducted internal control interviews with the principal and the bookkeeper regarding the system of internal controls; and
- IA identified key internal controls and performed sample testwork on these significant controls to determine if they were working as intended.

Results:

- The principal and bookkeeper provided internal control information consistent with division requirements; and
- The sample testwork indicated that the school's significant internal controls are working as intended.

Conclusion: IA concluded that the internal controls are adequate and functioning as intended.

## AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results, findings, and suggestions for improvement for this audit were discussed with management. Audit results are based on School Board policies and regulations, accounting procedures, the *Business Manual for Schools*, and proper internal controls. The Statement of Cash Receipts and Disbursements has been included in the appendix to this report. We thank management and staff of the Department of School Leadership, Great Neck Middle School, and all others that were contacted for their cooperation throughout the audit.

cc: Ms. Paige D. Sherr, Principal  
Dr. James J. Smith, Senior Executive Director of Middle Schools  
Mr. Matthew D. Delaney, Chief Schools Officer

Mr. Daniel G. Hopkins, Director, Office of Business Services  
Ms. Crystal M. Pate, Chief Financial Officer

Attachment: Appendix

## AUDIT RESULTS AND MANAGEMENT'S RESPONSES

### **Finding No. 1: Inadequate Supporting Documentation**

Supporting documentation for a disbursement of \$1,025 included an invoice with an incorrect date. The payment was made on 1/10/24 using an invoice dated 1/9/23. *The Business Manual for Schools*, Section 10.1 School Activity Accounts Disbursements states, "All school activity account disbursements must...be supported by...itemized receipts/invoices. The incorrect invoice was not reviewed for accuracy before it was paid. Proper review of invoices ensures that school funds are spent for approved purchases.

### ***Recommendations:***

IA recommends that the school obtain a corrected invoice from the vendor, in addition IA recommends that the school review future invoices for accuracy before processing payment.

### ***Management's Response:***

The Chief Schools Officer (CSO) concurs. The school will obtain a corrected invoice from the vendor. The school will review future invoices for accuracy before processing payment.

- *IA noted the school contacted the vendor to request a corrected invoice. The vendor provided an invoice dated 1/9/24.*

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**For the Eight-Month Period Ended February 29, 2024**

Account Group	Balance 7/1/2023	Cash Receipts	Cash Disbursements	Net Transfers	Balance 2/29/2024
Administrative Accounts	\$ 11,805	10,755	2,302	(277)	19,981
Virginia High School League Accounts	2,200	686	1,467	-	1,419
Club and Student Activity Accounts	745	8,797	5,222	(780)	3,540
Athletic Accounts	22	135	1,025	1,025	157
Departmental Accounts	9,690	26,908	25,129	32	11,501
VBCPS Accounts	4,882	2,020	5,545	-	1,357
Class/Scholarship/Grant Accounts	-	4,987	4,855	-	132
Clearing Accounts	-	28	278	-	(250)
<b>Total</b>	<b>\$ 29,344</b>	<b>54,316</b>	<b>45,823</b>	<b>-</b>	<b>37,837</b>
Student Concession/Vending	\$ (106)	-	-	-	(106)
Bank Interest	17	-	-	-	17
Pictures	6,801	4,407	-	(257)	10,951
Donations/Contributions	74	3,424	-	(2,302)	1,196
Office Depot Rebate	722	-	-	-	722
School-Wide Fundraisers	1,306	2,210	-	-	3,516
Needy Students	973	-	2,302	2,282	953
Procurement Card Rebate	1,878	-	-	-	1,878
Bottled Drinks Vending - Staff	140	714	-	-	854
<b>Administrative Accounts</b>	<b>11,805</b>	<b>10,755</b>	<b>2,302</b>	<b>(277)</b>	<b>19,981</b>
Yearbook	2,200	686	1,467	-	1,419
<b>Virginia High School League Accounts</b>	<b>2,200</b>	<b>686</b>	<b>1,467</b>	<b>-</b>	<b>1,419</b>
Student Council Association	425	5,004	2,667	(1,000)	1,762
Student Recognition	-	-	-	120	120
Anchored4Life Club	-	-	-	100	100
Cookie Club	-	76	52	-	24
Environmental Club	8	-	-	-	8
National Junior Honor Society	312	2,206	993	-	1,525
Fanatics Spirit Club	-	1,511	1,510	-	1
<b>Club and Student Activity Accounts</b>	<b>745</b>	<b>8,797</b>	<b>5,222</b>	<b>(780)</b>	<b>3,540</b>
Basketball	-	135	-	-	135
Football	22	-	-	-	22
Cheerleaders	-	-	1,025	1,025	-
<b>Athletic Accounts</b>	<b>22</b>	<b>135</b>	<b>1,025</b>	<b>1,025</b>	<b>157</b>
Instructional Materials	6,892	10	6,847	-	55
Library	1,250	61	866	-	445
Physical Education	314	15,419	9,987	20	5,766
Special Education	92	69	81	-	80
Band	-	1,396	1,396	-	-
Chorus	-	336	341	-	(5)
Orchestra	10	1,195	1,195	-	10
Teen Living	-	3,870	2,059	-	1,811
Technical Education	162	1,530	-	-	1,692
AVID	-	-	95	280	185
Foreign Language	-	296	296	-	-
Field Trips	970	2,726	1,966	(268)	1,462
<b>Departmental Accounts</b>	<b>9,690</b>	<b>26,908</b>	<b>25,129</b>	<b>32</b>	<b>11,501</b>
Calculator/Heart Monitor Lost/Damaged	572	-	-	-	572
Technology	4,117	2,020	5,545	-	592
Textbooks - Lost	193	-	-	-	193
<b>VBCPS Accounts</b>	<b>4,882</b>	<b>2,020</b>	<b>5,545</b>	<b>-</b>	<b>1,357</b>
Virginia Beach Education Foundation Grants	-	4,987	4,855	-	132
<b>Class/Scholarship/Grant Accounts</b>	<b>-</b>	<b>4,987</b>	<b>4,855</b>	<b>-</b>	<b>132</b>
Change	-	-	250	-	(250)
Clearing	-	28	28	-	-
<b>Clearing Accounts</b>	<b>-</b>	<b>28</b>	<b>278</b>	<b>-</b>	<b>(250)</b>
<b>Total</b>	<b>\$ 29,344</b>	<b>54,316</b>	<b>45,823</b>	<b>-</b>	<b>37,837</b>

Appendix

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